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| INFO | LOG-00 | NP-00 | AID-00 | AMAD-00 | COME-00 | INL-00 | DOEE-00 |
| | DS-00 | EAP-00 | EB-00 | E-00 | VC-00 | TEDE-00 | INR-00 |
| | LAB-01 | VCE-00 | NRC-00 | NSAE-00 | OES-00 | OMB-00 | NIMA-00 |
| | MCC-00 | GIWI-00 | FMPC-00 | SP-00 | STR-00 | EPAE-00 | SHEM-00 |
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E.O. 12958: DECL: 03/15/2015
TAGS: KMCA ETRD ENRG
SUBJECT: FIRE AT PORT KILLS 15, DAMAGES OIL REFINERY SUPPLY
LINES AND VALCO

REF: A. ACCRA 552
B. ACCRA 399

Classified By: Econ Chief Chris Landberg for Reasons 1.5 (b and d)

11. (U) Summary: On March 25 a large fire at the port of Tema broke out on a ship at the PCS Tema Shipyard (PCS) and damaged the parastatal Tema Oil Refinery's (TOR) fuel offloading pipeline, the Volta River Aluminum Company's (VALCO) alumina conveyor and a small shipping and cold storage company. 15 workers on the ship were killed. The fire, fed by fuel and oil leaking from TOR's pipeline, burned for 7 hours before being extinguished. TOR is currently unable to offload crude or finished petroleum products, but has made assurances that the fire has not affected operations at the refinery and that reserves will cover the time required for repairs.

12. (U) Summary Continued: President Kufuor visited the site March 29 and announced the formation of an inter-ministry task force to investigate the cause of the fire. Media speculation about the cause of the fire initially focused on TOR, but now revolves around allegations made by PCS union leaders that the Shipyard's Malaysian manager ignored safety procedures to cut costs. Early damage estimates exceed USD 7 million. End Summary.

CAUSE AND ORIGIN

13. (SBU) EconOff visited the site of the fire March 30 with TOR Safety Manager, Festus Seshie. The fire allegedly started when sparks from welding on a ship at the PCS dry dock --adjacent to the TOR pipeline located on the VALCO pier-- ignited either oil or diesel near the ship. Seshie confirmed that a "minor" leak had been detected during routine maintenance of the pipes in the week prior to the fire. The fire engulfed the ship under repair killing all 15 men on board. It then spread down the pipeline for approximately 1 kilometer, destroying the VALCO alumina conveyor suspended above the pipes as well as TOR's water pump house, which provided seawater for cooling TOR's distillation unit. The ship upon which the blaze allegedly started has been removed from the dry dock. EconOff asked how fuel from a "minor" leak could feed a fire for seven hours in an area with no other large source of combustibles. Seshie offered the rubber on the conveyor as a possible source. A report in the Gye Nyame Concorde newspaper quoted Janet Eduasi, Secretary of the Dolphin Shipping and Cold Storage Company destroyed in the fire, as saying her employees reported the leak to TOR, the harbor authority and the harbor fire brigade a week before the fire.

EFFECTS ON TOR

14. (SBU) Seshie said repairs would be completed with material on hand, adding that only 10 meters of pipe needed to be replaced. The rest of the pipe had been inspected and deemed fit for use despite being exposed to high temperatures for up to seven hours. TOR is using freshwater for cooling until the seawater pumps can be replaced. According to Seshie, the repairs, which are underway, should be completed in a week. He said TOR had enough crude oil for seven weeks of regular demand. ExxonMobil Managing Director Sam Kareem confirmed TOR's reserve estimates in a telcon with EconOff March 29, but estimated repairs would take at least three weeks, possibly longer if new damage is found.

DAMAGE TO VALCO

15. (SBU) VALCO's conveyor was destroyed along the entire pier. The conveyor was used to unload alumina brought in by Kaiser Aluminum before VALCO was shut down, and figures prominently in the GoG's announced plans to restart the smelter this summer with management and alumina supplied by minority owner, ALCOA (ref B). VALCO's Resident Director, Charles Mensa, told EconOff in a telcon March 29 that the conveyor would cost USD 3 million to repair. NOTE: ALCOA Director of Corporate Development, Randy Phillips, told EconOff in a telcon that ALCOA, through the ALCOA Foundation, would offer assistance the families of the victims of the fire. END NOTE.

COMMENT- FUEL FOR POLITICAL FIRES

16. (C) Although tragic in its human cost, the fire is a windfall for the GoG vis--vis IMF's repeated calls for deregulation of the petroleum sector. The Ministry of Energy recently postponed plans to allow a public tender that almost certainly would have required another fuel price increase on top of the 50 percent increase in February (ref A). The fire has interrupted TOR's ability to offload any crude or

finished product, making the canceled tender a moot point, at least temporarily. Even if the lines are repaired before reserves run out the GoG will once again be faced with the choice of either increasing retail prices to reflect higher world crude prices or subsidizing TOR, which drained approximately USD 200 million from government coffers last year.

17. (C) President Kufuor's formation of an investigative task force clearly relieved TOR employees, who used the announcement mantra-like to fend off most of EconOff's questions about events leading up to the fire. Initial media reports, however, focused on TOR's leaking lines. During the President's visit workers at PCS were allowed to approach Kufuor and make public accusations against the shipyard's Malaysian Manager, Rahin Bim Jaafa, stating that he refused to allow safety crews to oversee the work in order to avoid paying increased wages on a national holiday (Good Friday).

18. (C) Comment Continued: Bim Jaafa complained of labor problems during EconOff's visit to the port in November 2004 and alleged that the government was provoking labor unrest to force a renegotiation of his company's contract. Regardless, it is difficult to see how a thorough investigation can be completed with repairs and demolition already underway and the relocation of the ship where the fire started. In a further twist, Minister of Harbours and Railways Christopher Ameyaw-Akumfi inaugurated the President's investigative task force on March 31 by admonishing the members not to rule out the possibility of sabotage. It seems the GoG is setting the stage for diverting blame from itself and the parastatal TOR to foreign or other parties. End Comment.

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